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SUBJECT: SLOW PROGRESS ON ANTI-CORRUPTION INITIATIVES IN NUEVO LEON

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¶1. (SBU) Summary. There have been a number of allegations of public corruption in Nuevo Leon - including bribes for transit police and building inspectors and misuse of funds - but these cases have resulted in few negatives consequences for those named. The only exception occurred when prominent local business associations complained of the 'corruption without limits' by Monterrey Mayor Adalberto Madero. Although Madero was not charged with any crime, his candidacy for the PAN nomination in the Nuevo Leon governor's race stalled. Nuevo Leon does have new institutions designed to promote accountability and transparency, but their reach is still limited. To strengthen the rule of law, Post has sponsored a speaker series to encourage anti-corruption efforts and increased transparency in Nuevo Leon. End Summary.

Corruption Cases in Nuevo Leon

¶2. (SBU) Mexico clearly has a major problem with corruption. Transparencia Mexicana (the Mexican chapter of Transparency International) estimated that Mexicans paid 27 billion pesos (approximately US\$2.7 billion at the time) in bribes to all levels of government in 2007, accounting for 8% of total income of the average Mexican, and 18% of the income of the poorest Mexicans. The same study found that Nuevo Leon is the eighth least corrupt state in Mexico, having improved from 2002 and 2005. In contrast, the Mexican NGO Center for Economic Studies for the Private Sector (CEESP) found that Nuevo Leon was the fifth most corrupt state in 2006 in terms of bribes required to open a new business, since officials solicited a bribe 20% of the time.

¶3. (SBU) Although rumors constantly swirl about possible corruption, in three specific cases concrete evidence came to light:

- In January 2007 the leading newspaper El Norte took photographs of Monterrey city transit police receiving bribes of up to 1,000 pesos (nearly \$100 USD at the time) to allow drivers to avoid drunk driving fines. Mayor Madero announced that although over 200 transit police failed to pass the confidence tests (20% of the force) he would only fire 52 officers. Later on, he reinstated all but six officers and took no action against top transit police officials. Working level transit police complained to the newspaper that they had quotas of

kickbacks to pay their supervisors, but these allegations were never investigated.

- In November 2007, Kena Yanez, the head of the Nuevo Leon Youth Institute, was photographed and recorded conspiring with another employee to falsify a contract. . The video remains available on YouTube. Yanez was fired, but has not been civilly or criminally charged. Indeed, she has smoothly transitioned to a new career as an NGO consultant.

- In July 2008 El Norte published recorded conversations by Monterrey officials in charge of parking meters discussing a 30,000 pesos kickback (about \$3,000 USD then). Madero eventually dismissed 35 employees, including the head of parking meter collections. Madero also decided to eliminate parking meters from the streets of Monterrey, purportedly to eliminate corruption; this move also deprived the city of US\$250, 000 each month in needed revenue.

14. (SBU) Comment. All of these cases were uncovered by the press; public officials on their own initiative unearth little, if any, wrongdoing. When the press broke the story, the authorities made no apparent attempt to investigate whether corruption was systemic, but simply fired the people directly implicated. End Comment.

Case Study of Monterrey Mayor Madero

15. (SBU) When Monterrey Mayor Madero entered office in 2006, political insiders gossiped that all Monterrey city

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officials were expected to support 'the project' to help Madero become the PAN candidate for Governor of Nuevo Leon in 2009. Madero reputedly hired 400 PAN activists in his administration and installed his former chauffeur as his chief of staff. There were many rumors that Madero was raising money from informal businesses and siphoning off bribes from the transit police and others. An El Norte poll in July 2008 found that 56% of Monterrey residents thought that Madero was corrupt (31% did not). Despite this, for most of 2008 Madero led the public opinion polls among PAN aspirants by a wide margin and he garnered strong support among party militants.

16. (SBU) Madero's luck turned bad in September 2008 when a coalition of Mexican business associations publicly denounced him for 'corruption without limit.' The businessmen complained that Madero's administration was charging 'intolerable' bribes for approval of requests for items such as construction permits. Madero's public image suffered, his poll numbers fell, but he still led the surveys. Many influential Panistas worried that Madero would win either an open primary or a vote by PAN members to become PAN's candidate for Governor. However, in February 2009 the PAN party backed away from prior promises to hold a primary, and national PAN leadership handpicked federal Senator Fernando Elizondo as the party's candidate for Governor of Nuevo Leon. Senator Elizondo is generally viewed as a clean politician. End Note.

17. (SBU) Comment. The Madero case represents perhaps the only case in which a truly big fish who has suffered from allegations of corruption. Two factors distinguish this case: 1) The allegations were made by influential businessmen, not newspapers or NGOs; and 2) The businessmen did not denounce corruption per se, but corruption without limit, implying that a certain level of hanky-panky was acceptable. End Comment.

Do the Corruption Watchdogs Bark?

¶18. (U) The local press, led by the newspaper chain El Norte is an effective watchdog on public corruption. As noted, the press has conducted sting operations to catch public servants such as transit police soliciting bribes. The media also presses for transparency by requesting government documents, pushing for stronger government power to investigate misuse of funds, and checking whether politicians have followed through on their promises to build effective anti-corruption institutions.

¶19. (SBU) Nuevo Leon has several NGOs dedicated to transparency, including Red Civica, Citizens against Corruption, a local university, Renace and Vertebra. Post gathered the NGO organizations together to develop a speaker series on practices to control corruption. Our impression is that the NGOs are sincere, reasonably well informed, but most have few members beyond the heads of the NGOs (Renace is the exception). Post's PAS section sponsored the initial session, and aside from the universities, the NGOs were not able to bring many people to the presentations. Post also invited many business associations, only one of which sent a representative. In short, the NGOs need to substantially increase their resources and membership to effectively pressure for change.

¶10. (SBU) At the end of the Vicente Fox presidency, the Monterrey chapter of the business association COPARMEX, working with the administration of Nuevo Leon Governor Gonzalez Paras and the University of Monterrey, persuaded UN anti-corruption researchers to transfer the focus of one of their lagging projects to the state of Nuevo Leon. Manuel Zambrano, the President of COPARMEX Nuevo Leon, admitted to conoff that the UN effort had bogged down in Monterrey as well, but noted that work on several worthwhile initiatives - such as the idea of establishing an independent prosecutor solely dedicated to anti-corruption and formulating transparency indicators - would continue under the aegis of the state's citizens council on public security.

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¶11. (SBU) In 2008 Nuevo Leon established a new state audit commission, replacing a politicized office which had been under the direct control of the state legislature. Sergio Marengo Sanchez became Nuevo Leon's auditor, with an eight year term. Marengo Sanchez had substantial experience as an accountant in large Mexican companies and appears to be qualified. Marengo Sanchez described his office as similar to the U.S. General Accounting Office, because it examines the use of state and municipal funds and reports its findings to the state legislature. Marengo Sanchez plans to hire 150 auditors for his office, and he emphasized his independence from the political process -- since he can only be dismissed by a supermajority of 75% of the state legislators. The auditors are now reviewing 2008 spending by the state and municipalities.

¶12. (SBU) Although the new state auditor provides a new tool against public corruption, there are several key limitations. First, the auditors look at public spending, not bribery, so it is not in their purview to examine if public officials have been

bribed. In Nuevo Leon state and city controllers are in charge of investigations into bribery, so if a mayor receives bribes, the mayor's own controller would be in charge of the investigation. Second, the state auditor only reports his findings to the legislature, not publicly. Nuevo Leon's legislature passed on the first reading of a reform which would allow the results of the audits to be made public, but so far the local PAN party has blocked the required second reading of the law and it has not come into force. Note. PAN gubernatorial candidate Elizondo has supported the reform. End Note. Since the state audit findings are confidential, Morenco Sanchez could not discuss whether the auditor has been investigating any specific cases.

¶13. (U) According to a 2008 study by Transparency and Availability of Fiscal Information (ITDIF in Spanish), Nuevo Leon ranked thirteenth (out of 31) in transparency among Mexican states. That could improve with the 2008 inauguration of the Nuevo Leon Commission for Transparency and Access to Public Information. The Transparency Commission requires that state and municipal governments publish information on the internet and respond to written requests for information. Commissioners have five year terms of office and can only be removed for cause.

¶14. (SBU) According to Commission President Guillermo Mijares Torres, students, businessmen, media and neighbors (upset with nearby construction projects) have most frequently requested public information. If the government does not produce the information, the requestor makes a written request, and the Commission renders a decision within three weeks. Commissioner Mijares admits that they need to change the bureaucratic culture so that government willingly shares information. He contended that the Commission finds for the requesting citizen 98% of the time. The Commission also has the power to fine recalcitrant bureaucrats.

¶15. (SBU) Several journalists complain that Nuevo Leon is not fully living up to the law. El Norte editor and law professor Miguel Trevino complained that his newspaper must always make written requests for information and pay for them. Note. Under the law, requestors do not have to pay for information but they do need to pay for copies. End Note. Several other journalists have pointed out that the state and municipal institutions have not yet published on the internet all the information required. However, the Transparency Commission appears to be a move in the right direction. El Norte editor Trevino thinks that Nuevo Leon's institutions are generally adequate, but there is a vast gap between the legal requirements and social norms, where corruption is winked at and accepted. He argues that corruption must become socially unacceptable before the institutions can work properly. Trevino called on the NGOs to make corruption a key issue in the 2009 political campaigns.

Comment

¶16. (SBU) Comment. Monterrey is a business town, but

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businessmen have rarely complained to poloff about corruption, seeing it as an intractable but manageable problem. However, the influx of drug cartel money, combined with a permissive attitude toward bribery and lax enforcement, has created a deadly brew. While Nuevo Leon has several of the key tools in place to effectively combat corruption, such as an aggressive

media, the transparency law, and a new state auditor, the press and the NGO community must raise public awareness of the true costs of corruption to change public attitudes. To promote the rule of law, Post hosted the anti-corruption NGOs in several strategy sessions and has planned a speaker series increase public awareness. End Comment.
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